

CNMV'S NEW BULLETIN INCLUDES THE MARKET SITUATION REPORT AND ARTICLES ON FOREIGN CIS, ON BME GROWTH, AND ON CRYPTOCURRENCIES

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- The bulletin also focuses on current issues such as the White Paper on tax reform and suspicious transaction communications (STOR).
- Additionally, it discusses the positions held by women in boards of listed companies and sustainability preferences of investors.

The Spanish Securities Market Commission (CNMV) has published its [quarterly bulletin for the third quarter of 2022](#). This edition includes the market situation report, which describes the existing complex financial landscape, marked by high uncertainty. There are also three interesting articles:

- The first one describes the development of return and costs of foreign CISs marketing in Spain in the last four years,
- The second one describes the most important features of alternative markets of growing companies, highlighting the BME Growth of the Spanish market, and
- The third one assesses the results of the survey carried out by CNMV regarding cryptocurrencies, as well as the effectiveness of the measures promoted by the institution.

The market situation report describes the complexity surrounding the macroeconomic and financial environment resulting from the growing inflation, with rates reaching almost 10% in Europe, and the shift in monetary policies, which have led to important increases in official interest rates of the majority of economic areas. This implies the “normalisation” of monetary policies that, additionally, took place in a short period of time. The resulting worsening in agents' financing conditions, in a context of inflation and continued geopolitical risk, is an additional downside risk to economic activity.

The financial markets have incorporated this scenario of high inflation, monetary policy shift, erosion of economic growth and extension of the war in Ukraine with declines in share prices and significant increases in interest rates and risk premiums on instruments of lower credit quality. Thus, equity markets show declines ranging from 20.9% to 32.4% in the U.S. and 6.6% to 24.5% in Europe. In Spain, the Ibex 35 companies ended the third quarter with a 9% drop, the largest among the major continental European benchmarks, despite which it had the best performance for the year,

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falling 15.5%, more than 7 percentage points less than the European Eurostoxx 50.

Markets

There was a sharp decline in issuance in Spain in the primary equity markets, which is in line with the behaviour of the remaining European markets. These stood at 3,077 million euros between January and September, well under the 16,817 million euros issued in the same period of 2021. In the secondary markets, trading in Spanish equities dropped by 1.5% in the third quarter of the year, although it has risen this year, so far, by 15.5% (over 579 billion euros).

Bond markets have seen significant increases in returns on assets throughout the year, a trend that was only interrupted in June and July. At the end of September, the interest rate on the ten-year sovereign bond stood at 3.8% in the U.S. and in the euro zone it ranged from 2.1% for the German bond to 4.8% for the Greek bond. In Spain, such yield stood at 3.3%, compared to 0.6% at the beginning of the year, with positive yields in all tenors of the debt curve.

In the primary fixed income market, corporate debt issues registered in Spain (CNMV and MARF) expanded by 9% between January and September (to more than 80,500 million euros) and issues made abroad declined (by 9.5% to almost 69,000 million euros). Regarding the issues registered in Spain, half of which took place in the first quarter, the strong growth in issues of commercial paper and covered bonds is worth highlighting.

Analysis

This report includes four exhibits describing:

- CNMV's analysis of the White Paper on tax reform,
- Conclusions from the review of the obligation to report suspicious transactions of market abuse in 2021,
- Women in boards of listed companies' boards of directors, and
- Considerations of the sustainability preferences of investors.

Foreign CISs Marketed in Spain

The first article, by Gema Pedrón Fernández, from the Strategic Policy and International Affairs Directorate-General, entitled "Comparative analysis of performance and costs between Spanish CISs and foreign CIS marketed in Spain", shows the expansion of foreign CISs marketed in Spain in recent years, based on the number of institutions, assets, and number of participants. In order to analyse possible differential characteristics, an initial analysis of returns,

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estimated on the basis of net asset values, shows that the returns of foreign CISs have been higher, on average, than those of Spanish CISs for the analysed period, with a higher degree of dispersion of these returns, which may be explained by the different geographical investment orientation. The costs analysis, based on the current expenditure ratio, shows mixed results. This first comparative analysis requires future work to explore the matter in greater depth, taking into account factors such as size, concentration, degree of specialisation and the variety of supply of the institutions, among other factors.

Alternative Markets and BME Growth

The second article, by Jesús González Redondo, from said Directorate-General, entitled "Alternative markets for growing companies and the Spanish case of BME Growth", reviews the most important characteristics of alternative markets, whose main advantage is the provision of easier access to financing for medium and small companies, in comparison to traditional financial markets. The article presents a quantitative comparison of the most important international markets of this type and describes in detail the characteristics of the Spanish market BME Growth regarding its functioning, structure, and the characteristics of the listed companies (originally Alternative Stock Market, MAB for its abbreviation in Spanish). In particular, it describes the specific regulatory aspects of this market that represent an incentive or an advantage for issuing companies compared to the requirements of the conventional market.

Cryptocurrencies and Impact of Warnings

The last briefing article, by María José Palomar Bueno and David de Miguel Rato, from said Directorate-General, entitled "Results of the survey on cryptocurrencies and effectiveness of the measures promoted by CNMV", closely examines the results of the recent survey on the degree of penetration of cryptocurrencies, as well as investors' knowledge of the risks associated to such investment. It also analyses the effect on investors of the warnings issued by CNMV related to the risks associated with such assets.

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